

110TH CONGRESS
2D SESSION

H. R. 6419

To amend the Internal Revenue Code of 1986 to exclude from gross income compensation received by employees consisting of qualified distributions of employer stock.

IN THE HOUSE OF REPRESENTATIVES

JUNE 26, 2008

Mr. ROHRBACHER (for himself, Mr. GOODE, Mr. JONES of North Carolina, and Mr. ROSKAM) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to exclude from gross income compensation received by employees consisting of qualified distributions of employer stock.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. QUALIFIED STOCK DISTRIBUTIONS TO EM-**
4 **PLOYEES.**

5 (a) IN GENERAL.—Part III of subchapter B of chap-
6 ter 1 of the Internal Revenue Code of 1986 is amended
7 by inserting after section 139A the following new section:

1 **“SEC. 139B. QUALIFIED STOCK DISTRIBUTIONS TO EMPLOY-**
2 **EES.**

3 “(a) IN GENERAL.—Gross income shall not include—

4 “(1) so many shares of any stock received by an
5 individual in a qualified employee stock distribution
6 of such individual’s employer as does not exceed the
7 maximum stock amount, and

8 “(2) any gain on stock excluded from gross in-
9 come under paragraph (1) if such stock is held by
10 such individual for not less than 10 years.

11 “(b) DEFINITIONS AND SPECIAL RULES.—For pur-
12 poses of this section—

13 “(1) QUALIFIED EMPLOYEE STOCK DISTRIBUTION.—The term ‘qualified employee stock distribu-
14 tion’ means a distribution by an employer of stock
15 of such employer to all employees (determined as of
16 the date of the distribution) of such employer as
17 compensation for services.

18 “(2) MAXIMUM STOCK AMOUNT.—The term
19 ‘maximum stock amount’ means, with respect to any
20 distribution, the lowest number of shares of stock of
21 the employer received by any employee of the em-
22 ployer in such distribution.

23 “(c) EMPLOYMENT TAXES.—Amounts excluded from
24 gross income under subsection (a)(1) shall not be taken
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1 into account as wages for purposes of chapters 21, 22,
2 23, 23A, and 24.

3 “(d) RECAPTURE IF STOCK DISPOSED DURING RE-
4 QUIRED HOLDING PERIOD.—If an amount is excluded
5 from gross income under subsection (a)(1) with respect
6 to any stock and the individual disposes of such stock at
7 any time during the 10-year period beginning on the date
8 that such individual received such stock—

9 “(1) the gross income of such individual for the
10 taxable year which includes the date of such disposi-
11 tion shall be increased by the amount so excluded,
12 and

13 “(2) the tax imposed by this chapter for such
14 taxable year shall be increased by the sum of the
15 amounts of tax which would have been imposed
16 under subchapters A and B of chapters 21 and 22
17 if subsection (c) had not applied with respect to such
18 amount.

19 For purposes of this title and the Social Security Act, any
20 increase in tax under paragraph (2) shall be treated as
21 imposed under the provision of chapter 21 or 22 with re-
22 spect to which such increase relates.

23 “(e) REGULATIONS.—The Secretary shall issue such
24 regulations as may be necessary or appropriate to carry

1 out this section, including regulations which provide for
2 the application of this section to stock options.”.

3 (b) CLERICAL AMENDMENT.—The table of section
4 for such part is amended by inserting after the item relat-
5 ing to section 139A the following new item:

“Sec. 139B. Qualified stock distributions to employees.”.

6 (c) EFFECTIVE DATE.—The amendments made by
7 this section shall apply to stock received by employees
8 after December 31, 2008.

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